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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 05/30/07

Index:

- 1) Top headlines
- 2) Editorials
- 3) Prime Minister's daily schedule
- 4) "Matsuoka shock" sweeps across the political world
- 5) Scandal ridden forestry association to be dismantled
- 6) Diet session under stress as ruling camp tries to clear up pension issues as quickly as possible, pass pension legislation
- 7) Former Taiwanese president Lee Teng-hui arrives in Japan today for a visit, setting off political jitters in the Japanese government
- 8) G-8 summit in Germany will tackle global-warming issue, with Japan trying to play a major role
- 9) Japan records a 7.8 percent rise in greenhouse gas emissions since 1990
- 10) In international tally, Japan's forests did not play expected role in absorbing greenhouse gases only attaining 70 percent of goal
- 11) ASEM foreign ministers unable to resolve differences in views on

global-warming countermeasures

12) Unemployment rate in Japan dips to 3.8 percent, a nine-year low, as baby-boomer generation starts to retire

13) Income disparity is widening 74 percent of public believe in Yomiuri poll

14) By 2035, elderly will make up over 30 percent of the Japanese population, as aging of society speeds up

15) Birth rate recovers to 1.3 level after 6 years reflecting economic recovery

Articles:

1) TOP HEADLINES

Asahi:

Disrupted Diet: Pension reform bill suddenly submitted apparently to minimize damage caused by farm minister's death

Mainichi:

Elevator death: Trouble with brake overlooked in last inspection by maintenance firm

Yomiuri:

Tokyo air pollution lawsuit: Government presents compromise with 1.4 billion yen for measures against asthma

Nihon Keizai:

Birthrate recovered to 1.3 last year, first rise in six years, reflecting economic improvement

TOKYO 00002400 002 OF 011

Sankei:

Government puts off vote on SIA reform bill; Matsuoka's suicide linked to Green Resource Agency money scandal?

Tokyo Shimbun:

Pension reform bill obligating SIA to conduct a survey of pension records submitted to Lower House

Akahata:

JCP makes urgent demand to the government to resolve lost pension issue

2) EDITORIALS

Asahi:

(1) Ruling parties submit pension reform bill to take responsibility for their slow action

(2) Suspicions about Green Resources Agency deepen

Mainichi:

(1) Reform of SIA: Resolve the issue of lost records

(2) US and Iran: Continued dialogue needed to bring stability to Iraq

Yomiuri:

(1) Small business measures: Careful monitoring needed to prevent bullying of subcontractors

(2) US-Iran talks: Will direct dialogue make progress?

Nihon Keizai:

(1) Employment continues to grow, but regional disparities remain

(2) Important for US, Iran to continue dialogue

Sankei:

(1) Ruling and opposition parties both responsible for SIA disaster

(2) Cannes award: Good opportunity to boost Japanese movies

Tokyo Shimbun:

(1) Former Green Resources Agency director commits suicide:

Suspicions must be aired

(2) Improvement of jobless rate: Measures for the socially weak

should not be put aside

Akahata:

Labor-related bills not enough to combat poverty

### 3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, May 29

NIHON KEIZAI (Page 2) (Full)

May 30, 2007

09:02:

Attended a cabinet meeting. Chief Cabinet Secretary Shiozaki stayed on.

09:52:

Attended an IT Headquarters meeting held at the Kantei.

10:09:

Met Health, Labor and Welfare Ministry Health Bureau chief Toguchi, followed by Deputy Foreign Minister Kono.

11:33:

TOKYO 00002400 003 OF 011

Met Land, Infrastructure and Transport Minister Fuyushiba and Vice Environment Minister Tamura, followed by LDP Organizational Department chief Miyaji.

12:31:

Viewed the hearse carrying the body of former MAFF Minister Matsuoka at the Kantei with Shiozaki and other cabinet ministers.

12:36:

Had lunch at the Kantei with Japan's Independent Institute President Shigeharu Aoyama.

15:28:

Taped a video message for the annual meeting of the Global Legislators Organization for a Balanced Environment in the presence of advisor Seko.

16:49:

Met J8 Summit Japan representative Momoko Kato and others in the presence of UNICEF Japan Ambassador Agnes Chan.

17:20:

Attended a Global Warming Countermeasures Headquarters meeting.

17:45:

Met advisor Yamatani.

18:00:

Met a European Parliament delegation Japan in the presence of Japanese delegation leader Taro Nakayama. Afterward met Internal Affairs and Communications Minister Suga.

19:01:

Had dinner at his official residence with fourth-term LDP Lower House members, including Suga.

### 4) Matsuoka's suicide continues to rock political community; Ruling bloc changes its strategy, opposition camp to continue locking horns with ruling parties

SANKEI (Page 5) (Excerpts)

May 30, 2007

The suicide on May 28 of Agriculture, Forestry and Fisheries Minister Toshikatsu Matsuoka continued to rock the political community yesterday. The government and the ruling coalition postponed its plan yesterday to take a vote at a Lower House plenary session on bills to reform the Social Insurance Agency (SIA) in order to avoid the opposition bloc's fierce resistance, such as a no-confidence motion against Health, Labor and Welfare Minister Hakuo Yanagisawa. The opposition camp is determined to block the bills, saying Diet deliberations were insufficient. Chances are diminishing for legislation to reform the civil servant system and three labor-related bills to clear the Diet in the current session. A battle over those bills between the ruling and opposition camps is likely to intensify toward the end of the current Diet session on June 23.

"The Diet cannot be allowed to stall even a day," Liberal Democratic Party Diet Affairs Committee Chairman Toshihiro Nikai said to reporters in the Diet building around noon yesterday, expressing his

eagerness for taking a vote on the SIA-related bills.

The opposition bloc put up resistance by brandishing the possibility of filing a no-confidence motion against the health, labor and welfare minister. The ruling camp decided by last evening to postpone a vote until May 31, reversing its initial plan.

The ruling bloc now aims to get the SIA reform bills and another bill eliminating the statute of limitations to cover unpaid pension

TOKYO 00002400 004 OF 011

benefits in full approved by the Lower House as a set on May 31.

Meanwhile the LDP, envisioning the opposition camp's weakened pursuit of the question of unclear office expenses by fund management organizations following his suicide, is planning to on the offensive on revising the Political Funds Control Law.

In yesterday's General Council meeting, many members indicated that the law must be revised in a way to prohibit fund management organizations from possessing real estate. As a result, the party put off obtaining Diet approval of the ruling bloc's bill to revise the Political Funds Control Law. Aiming to focus on the fact that major opposition Minshuto (Democratic Party of Japan) President Ichiro Ozawa's fund management body possesses many pieces of real estate, the LDP will submit a bill to the Diet on May 30 obligating lawmakers to report on the use of real estate possessed by their fund management organizations.

The Diet affairs chiefs of the ruling parties shared the view that given a severe outlook on the Diet in its closing phase, no mistakes are allowed in running Diet business. The ruling camp is determined to get Diet approval in the current session for three education reform bills, the SIA reform bills, and a bill amending the Iraq Special Measures Law. For this reason, the ruling bloc is leaned toward a decision that other bills must be carried over to the next Diet session.

Opposition parties, including Minshuto, are planning to continue grilling the government and the ruling bloc over the question of the SIA's lost pension premium payment records.

Minshuto Policy Research Council Chairman Takeaki Matsumoto criticized the ruling bloc's plan to eliminate the statute of limitations for pensioners, saying, "Why did Prime Minister Abe and Welfare Minister Yanagisawa, who are supposed to oversee the Social Insurance Agency, allowed the ruling camp to come up with such a bill (instead of offering appropriate explanations at the Diet)? The bill is designed to help the bureaucrats and the Social Insurance Agency."

The bill reflects the government's decision that it can extend the time limit without taking a legislative step. A senior Minshuto member expressed his eagerness to call for public awareness, saying, "The ruling bloc is calling it a relief bill, which does not merit to be called a relief measure."

##### 5) Government to dismantle Japan Green Resources Agency

NIHON KEIZAI (Page 1) (Excerpts)  
May 30, 2007

In the wake of the discovery of a bureaucrat-initiated bid-rigging scandal over forest road survey projects, the government decided yesterday to effectively disband the Japan Green Resources Agency (J-Green) by abolishing its main business of improving forest roads. The government has recognized the need to fundamentally review the origination in order to avoid repetition of bid-rigging. The government's Council for Regulatory Reform is expected to adopt today its draft recommendations supporting such a decision.

J-Green is responsible for three businesses: (1) improving forest roads, (2) improving agricultural land, and (3) reforestation. The

TOKYO 00002400 005 OF 011

government plans to freeze new projects to improve forest roads and farmland and scale down projects already underway. The government also intends to abolish J-Green's operations once all projects are completed. The abolition of the two main businesses is expected to reduce the size of the agency's operations to 15 billion yen, or one-third of the total. A plan has also surfaced to shift the remaining reforestation program to another organization.

6) Diet in Chaos: Ruling parties put forward pension bill, Abe anxious to pass it quickly

ASAHI (Top play) (Abridged)  
May 30, 2007

The Diet looks completely different than it did a short time ago. The ruling parties and Prime Minister Abe have stumbled over the fiasco of pension records. Moreover, they are now in a bind with the suicide of former Agriculture, Forestry and Fisheries Minister Toshikatsu Matsuoka. The government hurriedly presented a special legislative measure to the Diet for the relief of unlisted pensioners. On the issue of politics and money, the ruling coalition is taking pot shots at Democratic Party of Japan (Minshuto) President Ozawa over his acquisition of real estate. In the Diet, the ruling camp yesterday desperately set out to recover its image. With an eye to this summer's election for the House of Councillors, the DPJ is biting at the chance and strengthening its defense against the ruling camp's counteroffensive. The ruling and opposition parties are in a pitched battle, with the Diet entering the latter stage of its current session. A one-on-one debate between party heads is also set to take place today. The Diet will now face the first climax toward the end of its current session.

The ruling coalition of the Liberal Democratic Party and New Komeito decided yesterday to postpone taking of a vote on a package of Social Insurance Agency reform related bills in a plenary session of the House of Representatives. Although the ruling parties set the date for a vote in defiance of the opposition camp's objections, they have now changed their attitude and agreed to put off the vote.

That is because the ruling coalition is going to take a vote on the SIA reform package in tandem with the pension bill. "It's important to take appropriate action for the pension issue," an LDP executive said. The House of Representatives Health, Labor, and Welfare Committee will meet today to hear the purport of the pension relief bill. The committee will then discuss the bill and take a vote on it. The ruling coalition is poised to get it through the House of Representatives with the SIA reform package tomorrow. The ruling parties steamrolled the bill through the committee. However, they think these legislative measures can easily get public understanding.

Along with a vote on the SIA reform package, the opposition bench considered submitting a no-confidence motion against Health, Labor and Welfare Minister Yanagisawa to create a mood of confrontation. This scenario, however, never came to pass. Moreover, the opposition parties could come under fire should they vote against the special pension relief legislation. "We've got to retouch our scenario," a DPJ Diet Affairs Committee executive said.

However, the DPJ may be on the defensive again should it give up its showdown with the ruling coalition. "It's not easy to take a vote on

TOKYO 00002400 006 OF 011

May 31," said Yoshiaki Takagi, chair of the DPJ Diet Affairs Committee. With this, Takagi implied that the DPJ would put up resistance with a no-confidence motion and other counteroffensives if the ruling parties try to get the package through the Diet's lower chamber tomorrow.

Meanwhile, the ruling and opposition parties are also likely to battle over the issue of politics and money, which was pursued in the Diet over Matsuoka's political funds.

The LDP was to have submitted a bill yesterday to revise the

Political Funds Control Law. However, the LDP has postponed its submission of the bill. That is because the LDP intends to have the bill incorporate strengthened regulations on real estate acquisition. The LDP's executive board met over the bill but did not approve it, with its members insisting that the LDP should further pursue Ozawa over his real estate acquisitions. The LDP is now coming out in the open with its offensive toward the DPJ. Faced with such a move, one DPJ lawmaker criticized the LDP for making political rules out of political considerations.

7) Former Taiwanese President Lee to visit Japan today; Government nervous about his activities

NIHON KEIZAI (Page 2) (Full)  
May 30, 2007

Former Taiwan President Lee Teng-hui will visit Japan from May 30 to June 9. His visit to Japan this time around will be the third since he stepped down from the presidency in 2000. He will deliver speeches and hold press meetings for the first time, however. Although he has stressed that the purpose of his Japan visit is academic and cultural exchanges, some officials in the Japanese government are concerned that his remarks might inflame China.

As Japan has exempted Taiwanese tourists from a visa requirement, Lee does not need to have one since he will come to Japan for sightseeing. A senior Foreign Ministry official said, "There is no reason for Japan to refuse his entry since he has said that he will not conduct political activities." The ministry, therefore, has approved his visit.

The Foreign Ministry intends to protest should he carry out any political activities. However, it is unclear what kind of activities would be regarded as political. Lee is also considering another visit to Japan in order to attend a dinner commemorating the late House of Representatives member Motoo Shiina, which will take place on June 20. Since chances are that he will meet Japanese politicians if he attends that even, the government will be pressed to make a difficult decision.

The Chinese Foreign Ministry deputy spokesman sought to constrain Japan, saying, "China strongly urges Japan not to provide a member of the pro-Taiwan independence force with political opportunities in consideration of China's serious concern." China has secretly opposed Lee's visit as it did so last time. But it does not want to throw a wet blanket over improving relations with Japan, particularly in the economic area. The Chinese Foreign Ministry deputy spokesman implied a strong response, while not using the expression "protest."

8) G-8 summit to start in Heiligendamm on June 6: Focus on how to

TOKYO 00002400 007 OF 011

achieve unity on global warming; Setting numerical targets may be difficult

TOKYO SHIMBUN (Page 7) (Excerpts)  
May 30, 2007

The 33rd Group of Eight Summit (G-8 Summit) will be held in Heiligendamm, a resort area in northeastern Germany, for three days starting June 6. Global warming, which is becoming increasingly serious in various parts of the world, will top the agenda. The focus will be to what extent the meeting will pursue discussions on specific matters amid participants remaining at odds over measures to stem the emissions of ever-increasing greenhouse gases.

Japan could be shunted into background between the US and European countries

Under the Kyoto Protocol, Japan pledged to cut greenhouse gas emissions by 6 percent from 1990 levels by 2012. However, its emissions had increased by as much as 8 percent in 2005.

Various industrial sectors are making desperate efforts to cover portions they cannot reduce by purchasing emissions rights at an

exorbitant cost. A sense of unfairness toward such countries as the US, which is not bound by the pact, is deep-seated in business circles.

Following the situation, the Japan Business Federation (Nippon Keidanren) and the Japan Association of Corporate Executives (Keizai Doyukai) submitted letters of opinion to the government, urging it not to make an easy compromise over reduction targets.

Nippon Keidanren in the letter pointed out that portions achieved before the signing of the Kyoto Protocol are not reflected in the 6 percent reduction target. It claims that a further reduction in greenhouse gas emissions would cost Japanese companies, which have already invested huge amounts of money for energy conservation since the oil crisis in 1973, 1.6-1.9 times more than the cost needed for other countries to reduce their carbon emissions, as such countries can reduce emissions with low-cost measures. Keizai Doyukai also expressed dissatisfaction with the Kyoto Protocol, noting that some countries like Russia have an emissions surplus in the framework without making any effort. The Ministry of Economy, Trade and Industry (METI) is also backing the positions of business circles regarding a new post-Kyoto reduction target with Vice Minister Takashi Kitabatake noting, "It is important to have measures compatible with economic growth."

Such pressure is reflected in the proposal Prime Minister Abe will make during the upcoming summit, as can be seen in the fact that it includes a relatively mild target. There is concern that Japan's proposal might be shunted into the background between the EU proposal, whose base year for cutting emissions goes back to 1990, and the US and China, which are against the idea of setting numerical targets.

Since it will host the G-8 Summit next year, Japan wants to serve as a mediator between the US and European countries. However, it will find the upcoming summit tough with watchful eyes from domestic industry circles.

9) Japan sees greenhouse gas emissions growing 7.8 percent over 1990

TOKYO 00002400 008 OF 011

levels

MAINICHI (Page 1) (Full)  
May 30, 2007

The government's anti-global-warming promotion headquarters, headed by Prime Minister Shinzo Abe, reported in its meeting yesterday that greenhouse gases emitted across the nation in FY2005 increased 7.8 percent over 1990 levels to approximately 1.36 billion tons. Based on the judgment that it will be extremely difficult under the current situation to meet the 6 percent reduction goal set in the Kyoto Protocol, the government has decided to review its plans.

Prime Minister Abe announced the government's plan to promote afforestation at government buildings over the six years through 2012. He instructed relevant cabinet ministers to install solar photovoltaic systems and rooftop greenery on government buildings. According to the report, greenhouse gas emissions from business and other sectors, such as offices, schools, and hospitals, increased 44.6 percent over 1990 levels, while those from the household sector grew 36.7 percent. Meanwhile, emissions from the industrial sector decreased 5.5 percent.

10) Japan attains only 70 percent of maximum volume of CO2 absorbed by forests in FY2005

MAINICHI (Page 2) (Excerpts)  
May 30, 2007

It was learned yesterday that the amount of carbon dioxide (CO2) absorbed by forests in FY2005 was only about 70 percent of the upper limit set under the Kyoto Protocol. The government plans to meet the goal (of reducing greenhouse gas emissions by 6 percent from 1990 levels under the protocol) by cutting CO2 with the maximum amount of CO2 absorption by forests. To cover the 30 percent, energy-saving

efforts will be necessary. Insufficient measures to protect forests are likely to make it more difficult for Japan to meet the Kyoto target.

Since a reduction-calculation rule was set, the government inserted for the first time 35 million tons (of CO2) as the volume of gases absorbed by forests in its report on greenhouse gas emissions in FY2005. Japan is allowed to claim up to 48 million tons of CO2 absorbed by forests as emission cuts. Under the current situation, Japan will need to reduce about 13 million tons of CO2 by absorption by forests every year or about 65 million tons during a 2008 - 2012 period.

11) ASEM foreign ministerial winds up, with views divided over anti-global warming measures

MAINICHI (Page 2) (Excerpts)  
May 30, 2007

Kotani, Hamburg

The 8th Asia-Europe Meeting (ASEM) foreign ministerial meeting in Hamburg ended on May 29 after issuing a chairman's statement noting that negotiations on a post-Kyoto framework for combating global warming for 2013 and beyond "should be concluded by 2009." However, many Asian countries, including Japan, have come out against a deadline to be set for the negotiations. On the question of whether

TOKYO 00002400 009 OF 011

a numerical target for reducing greenhouse gas emissions is necessary or not, as well, no agreement was reached.

Foreign Minister Taro Aso raised opposition to European countries' call for finalizing the negotiations by 2009, remarking: "It is inappropriate to set a deadline for the talks when it remains unknown whether such large emitters (of greenhouse gases) as the United States, China, and India will join a new framework."

12) Japan's jobless rate falls to 3.8 percent, lowest level in 9 years, with coming of sellers market due to massive retirements of baby-boomers

SANKEI (Page 3) (Excerpts)  
May 30, 2007

Japan's seasonally-adjusted unemployment rate for April, released yesterday by the Ministry of Internal Affairs and Communications (MIAC), reached a nine-year low of 3.8 percent, down 0.2 percentage points from the previous month. This was the lowest rate since March 1998. MIAC's Statistics Bureau noted: "Employment conditions are continuing to improve."

The seasonally-adjusted job offers-to-seekers ratio for April released the same day by the Ministry of Health, Labor and Welfare (MHLW) rose 1.05 fold, up 0.02 percentage points from the previous month, topping 1 for the 17th consecutive month.

The male unemployment rate fell to 4.0 percent, down 0.1 percentage point, while the female unemployment rate fell to 3.6 percent, down 0.3 percentage point. Factors improving the unemployment rate include (1) growing recruitments of new graduates; (2) a decrease in the number of workers who lost jobs owing to their companies' streamlining, such as a cut in work force; and (3) an increase in the number of female part-timers.

The total number of the unemployed fell to 2.68 million, decreasing by 160,000 from the same month a year earlier, while the number of jobholders totaled 64.44 million, up 760,000 from a year earlier. The MHLW in charge of labor administration noted: "Demand for labor is recovering strong with moderate but sustained economic recovery."

One reason why the jobless rate for April fell to the 3 percent level for the first time in nine years and one month is because of companies' move to secure labor ahead of expected mass retirements of baby-boomers. The labor market particularly for new senior high



school and college graduates has become a sellers' market. Employment conditions for young people, which were at one point described as "hard times," appear to have improved and contributed greatly to improving the unemployment rate.

According to a survey by the two ministries, the employment rate of college graduates this spring rose to 96.3 percent and that of senior high school graduates went up to 93.9 percent. The MHLW's Office of Employment Measures for Young People noted: "One reason for this increase is attributable to economic recovery and another is because every firm is moving to expand its recruitments with the start of massive retirements of baby-boomers."

Meanwhile, the number of female part-timers also increased, pushing down the jobless rate of women in the age bracket 35 to 44. The

TOKYO 00002400 010 OF 011

MHLW's Employment Bureau Deputy Director-General Takashi Toriu said: "As firms are actively trying to build up their labor forces, women who wanted to work as part-timers under favorable conditions, seem to have started."

On the other hand, senior economist Junichi Makino at Daiwa Institute of Research commented: "Employment of new graduates would be one reason why the jobless rate fell this time, but their employment came apparently to make up for retirements of baby-boomers. Whether the jobless rate continues to fall in the months ahead depends on economic conditions."

13) Nationwide Yomiuri Shimbun poll on labor views: 74 percent think wage disparity has widened between permanent and part-time workers

YOMIURI (Page 2) (Full)  
May 30, 2007

The Yomiuri Shimbun on May 10-20 carried out a nationwide opinion poll on work ethics, based on face-to-face interviews. The survey found that 74 percent of respondents think that salary disparity between permanent workers, such as full-time company workers, and non-permanent workers, such as part-timers and dispatched employees, would further widen in the future. The figure includes the percentage of those who more or less think so. Those who disagreed reached 20 percent. The survey also found that 82 percent of part-timer respondents think that such a disparity will increase.

Many view that wage disparity will further widen between permanent and part-time workers, because despite the economic pickup, the situation is not necessarily close to the actual sentiments of the population.

To a question about whether respondents think a same-job and same-pay system, under which non-permanent workers who do the same job as permanent workers should be paid equally, should be adopted, 74 percent answered "yes," with a total of 23 percent replying "no." Regarding the diversifying employment pattern, such as part-timers, dispatched employees and contract workers, in addition to full-time workers, a total of 50 percent replied "not desirable," topping 44 percent who answered "desirable."

14) Elderly to top 30 percent of population by 2035 in 44 prefectures

YOMIURI (Page 1) (Full)  
May 30, 2007

The National Institute of Population and Social Security (NIPSS) yesterday released a population projection for each prefecture by 2035. According to the projection, the ratio of elderly population (those aged 65 or older) will likely top 30 percent in 44 prefectures with the exception of Aichi, Shiga and Okinawa, in 2035. The ratio is expected to be the highest at 41 percent in Akita.

The NIPSS worked out the projection for every five years covering the next 30 years, based on the national census in 2005.

According to the projection, the nation's population in 2035 will

drop to 110.68 million or 86.6 percent of the population in 2005. Forty-five prefectures, excluding Tokyo and Okinawa, are expected to see a drop in population. In particular, the populations of 19

TOKYO 00002400 011 OF 011

prefectures will fall to less than 80 percent of the present level. That of Akita will drop to 68.3 percent of the current level.

As of 2005, Shimane has the highest ratio of elderly population at 27.1 percent. However, the number of prefectures whose ratio of elderly population tops 30 percent is estimated to reach 31 in 2020, 42 in 2030, and 44 in 2035. The national average is projected to rise from 20.2 percent in 2005 to 33.7 percent in 2035, indicating that the graying of society will further accelerate.

The NIPSS Population Structure Research Department has analyzed that a decline in population in provincial areas will accelerate, further widening regional differences.

15) Japan's fertility rate rises to 1.3 in 2006 for first time in 6 years

NIHON KEIZAI (Top Play) (Excerpts)  
May 30, 2007

The total fertility rate (TFR or the number of children born to a woman during her entire life) for Japan rose to the 1.3-level in 2006 for the first time in six years, it was revealed yesterday. The main reason for the rise is an increase in the marriages and childbirths of those people born in 1971-1974 as children of the baby-boomer generation, and linked to improved job opportunities brought on by the economic recovery. However, whether Japan's fertility rate will continue to rise is uncertain. Measures to reverse the declining birthrate and to increase economic growth will likely be necessary from now on as well.

The Ministry of Health, Labor and Welfare (MHLW) plans to release in early June its report on Japan's fertility rate in 2006. The fertility rate in 2005 was 1.26, the lowest ever. The rate in 2006 was 1.31, up 0.05 points from the previous year. Japan's fertility rate has risen for the first time since 2002 (when it was 1.32).

The number of marriages (quick estimate) rose 2.4 percent to 748,017 in 2006 from the previous year. Recently, one out of the four women who get married become pregnant. Following the increase in marriages, the number of childbirths has grown. The number of childbirths in 2006 increased 2.9 PERCENT (quick estimate) to 1,122,278 compared to 2005.

One of the reasons for an increase in the number of marriages and childbirths is an improvement in the employment environment. During the long-term business slump after the bubble economy, it was difficult for young people to find jobs. Another reason is that some married couples with no kids have now decided to have children.

SCHIEFFER